
From: [Redacted for PII]
Sent: Tuesday, January 2, 2018 6:06 PM
To: Natalie Jaresko
Subject: Re: PR: Officials Say CDL Deal Is Close as Improving Treasury Collections Push Back Liquidity Crisis Threat (Re-org Research)

Natalie

Happy New Year

Craig

From: Natalie Jaresko <[Redacted for PII]>
Date: December 30, 2017 at 2:05:41 PM EST
To: Phillips, Craig <[Redacted for PII]>
Subject: Re: PR: Officials Say CDL Deal Is Close as Improving Treasury Collections Push Back Liquidity Crisis Threat (Re-org Research)

Happy New Year, Craig! I hope we make progress this year in a way that makes communications easier and helps Puerto Rico to get back on its feet quickly.

Best wishes,
Natalie

Sent from my iPhone

On Dec 28, 2017, at 7:22 PM, "[Redacted for PII]" <[Redacted for PII]> wrote:

Thanks

Can you please send me his contact info. I do not have it with me.

I think we are going to send them a letter confirming our strategy which is something we can make public

I am interested in any ideas you have for the municipal CDL deployment.

From: Natalie Jaresko <[Redacted for PII]>
Date: December 28, 2017 at 12:05:35 PM EST

To: Phillips, Craig [Redacted for PII]
Subject: Re: PR: Officials Say CDL Deal Is Close as Improving Treasury Collections Push Back Liquidity Crisis Threat (Re-org Research)

Craig,

I was shocked as well, since I had just spoken to you and this seemed the opposite.

I can only believe they are playing to their domestic audience. I simply don't know.

I do recommend you reach out by phone to Sobrino and simply ask what this is about and how it fits with your earlier conversation. Let him explain. He needs to know in the end that this doesn't help move things forward.

N

Sent from my iPhone

On Dec 28, 2017, at 6:37 PM, "[Redacted for PII]" [Redacted for PII] wrote:

Natalie

I wanted to see if you noticed this. As it is exactly the opposite of the discussion we had I wondered how you recommend I address with Sobrino, who is quoted.

We did ask them to prepare how loan disbursements to municipalities can become effective, a topic this article ignores.

They do not have a meeting at Treasury next week. The Secretary is not addressing tax reforms.

I can say from our perspective it is an exhausting communication strategy.

I appreciate your advice. Glad to have a call of that is best.

Craig

From: Moolji, Amyn <[Redacted for PII]>
Date: December 27, 2017 at 7:16:50 PM EST
To: Phillips, Craig <[Redacted for PII]> Berry, Clay
<[Redacted for PII]> Grippo, Gary <[Redacted for PII]>, Kellogg, Matthew <[Redacted for PII]>
Subject: Fwd: PR: Officials Say CDL Deal Is Close as Improving Treasury Collections Push Back Liquidity Crisis Threat (Re-org Research)

Officials Say CDL Deal Is Close as Improving Treasury Collections Push Back Liquidity Crisis Threat

Wed 12/27/2017

Re-org Research

The Puerto Rico government and U.S. Treasury Department are nearing agreement on terms and conditions for federal Community Disaster Loan financing, Puerto Rico Federal Affairs Administrator Carlos Mercader told reporters this afternoon at La Fortaleza after meeting with Gov. Ricardo Rosselló. Although Puerto Rico officials have been saying they need to access the CDL financing because of the commonwealth government's financial condition and expectations that its electric power and water utilities are expected to run out of cash by month's end, Public Affairs and Policy Secretary Ramón Rosario said during an afternoon press briefing at La Fortaleza that improved Puerto Rico Treasury collections have pushed back the expected cash crunch.

Administration officials also said today that they would continue their efforts in Washington, D.C., to mitigate the impact of the federal tax reform and to ensure that Puerto Rico gets treated fairly in federal disaster relief and healthcare funding.

"We are not in an immediate emergency that we will be left without cash, but certainly we have to get this money or in the medium term or long term this will be a real problem," Rosario said, referring to the commonwealth central government.

Mercader did not disclose specific terms of the CDL financing but said that he expected the talks to wrap up shortly and that a meeting between commonwealth and Treasury officials is slated for next week. "We are very close to the moment in which those monies will be dispersed for Puerto Rico," Mercader said. "I want to say that if we are not 100% in agreement, we are 99 percent. It is just a matter of some last-minute tweaks on how it's going to be spread out."

There is \$4.9 billion in CDL financing available for jurisdictions affected by recent disasters, and officials have said that Puerto Rico is expected to receive much of that funding. Last week, Government Development Bank President Christian Sobrino said the administration is seeking an initial round of CDL financing for the commonwealth, the Puerto Rico Electric Power Authority, or PREPA, and the Puerto Rico Aqueduct and Sewer Authority, or PRASA, and was expecting the U.S. Treasury to submit a proposed term sheet.

The U.S. Virgin Islands has already received \$371 million in CDL financing, and officials are expecting to access additional loans. Federal officials have insisted on receiving a "senior lien position" that puts the CDLs at parity with the territory's current senior bonds. The USVI CDL loans carry a general obligation

guarantee and are securitized by either gross sales receipt tax or rum tax rebate revenue. Commonwealth creditors are concerned that the federal government's stance regarding the USVI could mirror what the government will do in Puerto Rico; they say introducing loans that would prime existing bondholders in an already distressed situation would further hamper efforts to agree to a restructuring plan, according to several sources familiar with the matter.

Addressing Federal Tax Reform, Funding Issues

Rosario said that meanwhile, a proposed local tax reform is being revised to "eliminate or reduce" the impact of the federal tax reform on island manufacturing operations as well as commonwealth government revenue. Puerto Rico receives about 20% of its annual revenue from the Law 154 excise tax levied on multinational manufacturing operations on the island that officials say will be hurt by the federal tax reform.

"Certainly what we had ready to be presented in this session ... has to be completely revised. The governor and the Treasury secretary are working specifically on the corporate side to 'eliminate or reduce' the impact of the federal tax reform," Rosario said.

The Public Affairs and Policy secretary said that the measure, which was slated to be introduced in the previous session, was delayed to allow the federal tax reform to be completed. He said that economists and other experts are involved with the revision, adding that the aim is still to introduce the legislation "as soon as possible" in the next legislative session that begins next month. Rosario said the tax reform could be introduced either before or after the commonwealth's fiscal plan is certified by the PROMESA oversight board.

Mercader said that the administration would continue its push in Congress to exempt island manufacturing operations from a new tax levied against controlled foreign corporations under the new tax reform. "We are still going to be fighting for that because we believe we are being penalized as a U.S. jurisdiction," he said.

The PRFAA chief said that there will be a few other legislative vehicles that will address aspects of the U.S. tax code, including legislation that may "fix" existing issues with the federal tax reform, and said it is possible to address Puerto Rico's needs in a correction bill. He also said that further continuing spending and disaster funding legislation that is expected to be considered next month offer other potential legislative vehicles. According to Mercader, the U.S. Senate is expected to enact a "big change" next month to the total amount as well as the specific allocations of the \$81 billion disaster relief legislation that the U.S. House of Representatives approved last week.

Gov. Ricardo Rosselló gave another press conference late this afternoon with U.S. Sen. Bill Nelson, D-Fla., and U.S. Rep. Darren Soto, D-Fla., who toured a medical devices plant, a hospital and a mountain town still lacking electricity.

The two Florida Democrats pledged to continue fighting to mitigate the impact of the national tax reform, provide Puerto Rico with additional healthcare funding and ensure that the commonwealth gets its fair share of disaster relief funding.

The governor said that the unfair treatment Puerto Rico has received recently from Congress is an issue of “civil rights” and that Puerto Ricans are being treated as “second-class citizens.”

The Florida Democrats also complained that the oversight board was given too much power in the U.S. House’s \$81 billion disaster bill, which conditioned the funding on reporting and planning requirements and enables the board to review any appropriation above \$10 million. Mercader said the administration is fighting this provision as well because it will only slow down an already bureaucratic process.

“We have a very slow recovery in the sense that as of today, not one [PW] has been approved,” Mercader said, referring to Federal Emergency Management project worksheets. “That language suggests we add additional layer to what already is a very bureaucratic process.”

In an interview today with the Washington Examiner, U.S. House Natural Resources Committee Chairman Rob Bishop, R-Utah, reiterated his call for the Puerto Rico government and PROMESA board “to work together instead of suing one another” as they try to resolve the island’s fiscal and economic problems. He said the full restoration of electric power service and the rebuilding of the PREPA electric grid depend on cooperation between the board and the commonwealth.